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LOK SABHA

The following Report of the Joint Committee on the Bill to further amend the State Bank of India Act, 1955 was presented to Lok Sabha on the 3rd August, 1959:—

Composition of the Joint Committee

Shri J. M. Mohamed Imam—*Chairman.*

MEMBERS

Lok Sabha

2. Shri C. Bali Reddy
3. Shri M. R. Krishna
4. Dr. Ram Subhag Singh
5. Shri Shree Narayan Das
6. Dr. M. S. Aney
7. Kumari Maniben Vallabhbhai Patel
8. Major Raja Bahadur Birendra Bahadur Singh
9. Shri Amar Singh Damar
10. Shri K. G. Wodeyar
11. Shri T. Ganapathy
12. Shri M. Palaniyandy
13. Shri Bahadur Singh
14. Shri S. R. Damani
15. Dr. Pashupati Mandal
16. Shri Vishnu Sharan Dublish

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17. Shri Lachhi Ram
18. Shri Panna Lal
19. Shri Kanhu Charan Jena
20. Shri K. S. Ramaswamy
21. Shri Ram Shanker Lal
22. Shri B. R. Bhagat
23. Shri Prabhat Kar
24. Shri P. K. Kodiyan
25. Shri Ram Chandra Majhi
26. H.H. Maharaja Pratap Keshari Deo
27. Shri Subiman Ghose
28. Shri Laisram Achaw Singh
29. Shri Balasaheb Salunke
30. Shri Morarji Desai.

Rajya Sabha

31. Shri K. P. Madhavan Nair
32. Shri Tika Ram Paliwal
33. Shri Jaspat Roy Kapoor
34. Shrimati Pushpalata Das
35. Shri Jadavji Keshavji Modi
36. Dr. Anup Singh
37. Shri N. M. Lingam
38. Syed Mazhar Imam
39. Shri Jagannath Prasad Agrawal
40. Shri Niranjana Singh
41. Shri P. Narayanan Singh
42. Shri Harihar Patel
43. Shri Mulka Govinda Reddy
44. Dr. P. J. Thomas
45. Dr. B. Gopala Reddi

DRAFTSMEN

Shri S. K. Hiranandani, *Joint Secretary and Draftsman,
Ministry of Law.*

Shri V. N. Bhatia, *Deputy Draftsman, Ministry of Law.*

SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary.*

Shri A. L. Rai—*Under Secretary.*

Report of the Joint Committee

1. The Chairman of the Joint Committee to which the *Bill further to amend the State Bank of India Act, 1935, was referred, having been authorised to submit the Report on their behalf, present their Report with the Bill as amended by the Committee annexed thereto.

2. The Bill was introduced in the Lok Sabha on the 23rd February, 1959.

3. The motion for reference of the Bill to a Joint Committee of the Houses was moved by Dr. B. Gopala Reddi, Minister of Revenue and Civil Expenditure, on the 29th April, 1959, and was discussed in the Lok Sabha on the 29th and 30th April, 1959, and adopted on the 30th April, 1959.

4. The Rajya Sabha discussed and concurred in the said motion on the 6th May, 1959.

5. Message from the Rajya Sabha was read out to the Lok Sabha on the 9th May, 1959.

6. The Committee held four sittings in all.

7. The first sitting of the Committee was held on the 9th May, 1959, to draw up a programme of work. The Committee, at this sitting also decided to hear evidence of associations and individuals desirous of presenting their suggestions or views before the Committee. The Chairman was authorised to decide, after examining the memoranda submitted by them, as to which of the associations and individuals might be called to tender oral evidence before the Committee.

8. No memorandum was received on this Bill.

9. The Committee considered the Bill clause by clause at their Second and Third Sittings held on the 1st and 2nd July, 1959.

10. The Committee considered and adopted the Report at their Sitting held on the 31st July, 1959.

11. The observations of the Committee with regard to the change proposed in the Bill are given in the succeeding paragraph.

12. *Clause 6.*—An amendment to sub-clause (12) has been made in order to make it clear that the sub-clause would cover a defect in the constitution of the Board of Directors or in the appointment of any person entrusted with the management of the banking institution.

13. The Joint Committee recommend that the Bill as amended be passed.

NEW DELHI;
The 2nd August, 1959.

J. M. MOHAMED IMAM,
Chairman,
Joint Committee.

Minutes of Dissent

The State Bank of India (Amendment) Bill, 1959 no doubt embodies some minor amendments and there is nothing much to differ from the Bill. We cannot, however reconcile ourselves with some of the provisions in clause (6) for reasons mentioned below.

It is said that Clause (6) seeks to amend section 35 of the State Bank of India Act, 1955, with a view to simplify the procedure for acquisition of business of other Banks by the State Bank. But we are unable to understand as to how it simplifies the procedure. To delegate authority to the Government and to say that Governmental directions will supersede and take precedence over statutory provisions and thus matters will be simplified can hardly be the proper way of thinking. It contravenes the concept of rule of law and merely gives rise to complications.

We are also unable to agree with sub-clause (8). An employee may be circumstanced in so many ways to accept even unsatisfactory terms and conditions of service. It is therefore necessary to guarantee in the provision itself to the effect that the terms and conditions of employment offered by the State Bank shall not be inferior in any manner to the terms and conditions of service enjoyed by the employee in the Bank he was previously working and that continuity of service will be recognised in case of his accepting employment.

Since this clause deals with acquisition of business of other Banks by the State Bank, we do not see any reason as to why the terms and conditions prescribed for employees of the State Bank should not be offered and there need be a discriminatory treatment.

Subject to the above observations we concur with the Joint Committee Report.

NEW DELHI;

Dated the 31st July, 1959.

HARIHAR PATEL.

P. K. DEO.

Bill No. 11B of 1959.

THE STATE BANK OF INDIA (AMENDMENT)

BILL, 1959

(AS AMENDED BY THE JOINT COMMITTEE)

(Words underlined indicate the amendment suggested by the Committee)

A bill further to amend the State Bank of India Act, 1955.

BE it enacted by Parliament in the Tenth Year of the Republic of India as follows:—

Short title. 1. This Act may be called the State Bank of India (Amendment) Act, 1959.

Amendment of section 22. 2. In section 22 of the State Bank of India Act, 1955 (hereinafter referred to as the principal Act),—

(a) in clause (d) of sub-section (1), for the words “or managing director”, the words, “managing director, or legal or technical adviser” shall be substituted;

(b) after sub-section (3), the following sub-section shall be inserted, namely:—

‘(4) In this section,—

(a) “banking company” has the same meaning as in the Banking Companies Act, 1949;

10 of 1949.

(b) “manager” means the chief executive officer, by whatever name called, of a banking company;

(c) “private company” has the same meaning as in the Companies Act, 1956.’

1 of 1956.

3. In section 23 of the principle Act, the proviso shall be omitted. Amendment
of section
23.

4. In section 33 of the principal Act,—

(a) in sub-clause (d) of clause (i), for the words “under any law for the time being in force in India”, the words “by or
5 under any law for the time being in force in India other than companies with limited liability” shall be substituted. Amendment
of section
33.

(b) for clause (xii), the following clauses shall be substituted, namely:—

“(xii) the transacting of pecuniary agency business on
10 commission;

(xiii) the entering into contracts of indemnity, suretyship or guarantee with specific security or otherwise;”;

(c) after clause (xx), the following clause shall be inserted, namely:—

“(xxa) notwithstanding anything to the contrary contained in any other law for the time being in force, the establishment and maintenance of superannuation pension, provident or other funds for the benefit of the employees of the State Bank or dependents of such employees or for
15 20 the purposes of the State Bank, and the granting of superannuation allowances, annuities and pensions, payable out of any such fund;”.

5. In section 34 of the principal Act, for sub-sections (3) and (4) the following sub-section shall be substituted, namely:— Amendment
of section
34.

“(3) The State Bank shall not discount or purchase or
25 advance or lend or open cash credits on the security of,—

(a) any negotiable instrument of any individual or firm payable at the place where it is presented which does not carry on it the several responsibilities of at least two persons or firms unconnected with each other in general
30 partnership;

(b) any negotiable instrument or security (not being an instrument or security in which a trustee may invest trust money under section 20 of the Indian Trusts Act, 1882, or the corresponding provision of the law for the time being in
35 force in any country where the State Bank has a branch) which does not mature within—

(i) fifteen months from the date of such discount, purchase, loan, advance or opening of cash credits, if

the instrument or security is drawn or issued for the purpose of financing seasonal agricultural operations; and

(ii) six months from the date aforesaid if the instrument or security is drawn or issued for any other purpose.” 5

Amendment
of section
35.

6. In section 35 of the principal Act, for sub-sections (2), (3) and (4), the following sub-sections shall be substituted, namely:—

“(2) The terms and conditions relating to such acquisition, if agreed upon by the Central Board of the State Bank and the directorate or management of the banking institution concerned and approved by the Reserve Bank, shall be submitted to the Central Government for its sanction and that Government may by order in writing (hereafter in this section referred to as the order of sanction) accord its sanction thereto. 15

(3) Notwithstanding anything contained in this Act or any other law for the time being in force or any instrument regulating the constitution of the banking institution concerned, the terms and conditions as sanctioned by the Central Government shall come into effect on the date specified by the Central Government in this behalf in the order of sanction and be binding upon the State Bank and the banking institution concerned as well as upon the shareholders (or, as the case may be, proprietors) and creditors of that banking institution. 20

(4) If for any reason the terms and conditions cannot come into effect on the date specified in the order of sanction, the Central Government may fix another suitable date for that purpose. 25

(5) On the date on which the terms and conditions as aforesaid come into effect the business and the assets and liabilities of the banking institution concerned as covered by the acquisition shall, by virtue, and in accordance with the provisions, of the order of sanction stand transferred to, and become respectively the business and the assets and liabilities of, the State Bank. 30

(6) The consideration for the acquisition of the business and the assets and liabilities of any banking institution under this section may, if so agreed upon, be paid either in cash or by allotment of shares in the capital of the State Bank or partly in cash and partly by allotment of shares, and the State Bank may, for the purpose of any such allotment, increase, subject to the other provisions contained in this Act relating to the 35 40

increase of capital, the capital of the State Bank by the issue of such number of shares as may be determined by the State Bank.

5 (7) Any business acquired under this section shall thereafter be carried on by the State Bank in accordance with the provisions of this Act, subject to such exemptions or modifications as the Central Government may by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank:

10 Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

14 of 1947.

15 (8) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law or in any agreement for the time being in force, on the acquisition of the business and the assets and liabilities of any banking institution under this section, no officer or other employee of that banking institution shall be entitled to any compensation to which he may be entitled under that Act or that other law or that agreement and no claim
20 in respect of such compensation shall be entertained by any court, tribunal or other authority, if on his having accepted in writing an offer of employment by the State Bank on the terms and conditions proposed by it he has been employed in accordance with such terms and conditions.

25 (9) The Central Government may, if it considers necessary or expedient in the case of any banking institution in relation to which an order of sanction has been made under this section, appoint, whether before or after the coming into effect of the terms and conditions relating to the acquisition of the business
30 and the assets and liabilities of that banking institution, a suitable person to take over the management of that banking institution for the purposes of winding up its affairs and distributing its assets, and the expenditure incurred in connection with such management (including the remuneration for the person so
35 appointed and his staff, if any) shall be paid out of the assets of the banking institution or by the State Bank as the Central Government may direct.

40 (10) Simultaneously with the appointment of a suitable person to take over the management of any banking institution under sub-section (9) or immediately thereafter, the Central Government shall issue directions to be followed by that person

in the management of that banking institution for the purposes aforesaid and thereupon—

(a) the provisions of the Companies Act, 1956, or the Banking Companies Act, 1949, or any other law for the time being in force or any instrument having effect by virtue of any such Act or law, in so far as they are inconsistent with such directions, shall cease to apply to or in relation to that banking institution; 1 of 1956.
10 of 1949.

(b) all persons in charge of the management, including any person holding office as manager or director of the banking institution immediately before the issue of such directions, shall be deemed to have vacated their offices as such; and 10

(c) the person appointed to take over the management of the banking institution shall in accordance with those directions take all such steps as may be necessary to facilitate the winding up of its affairs and distributions of its assets. 15

(11) The Central Government, when satisfied that nothing further remains to be done in order to wind up the affairs of any such banking institution may by another order in writing direct that as from such date as may be specified therein the banking institution shall stand dissolved and thereupon any such direction shall have effect notwithstanding anything to the contrary contained in any other law. 20
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(12) No action under this section shall be questioned on the ground merely of any defect in the constitution of any banking institution in relation to which such action has been taken or in the constitution of its Board of Directors or in the appointment of any person entrusted with the management of its affairs. 30

(13) In this section "banking institution" includes any individual or any association of individuals (whether incorporated or not, or whether a department of Government or a separate institution), carrying on the business of banking.

Amendment
of section
36.

7. In section 36 of the principal Act, after sub-section (3), the following sub-section shall be inserted, namely:— 35

"(4) No amount applied for any of the purposes specified in sub-section (2) shall, for the purposes of the Indian Income-tax Act, 1922, be treated as income, profits or gains of the State Bank." 11 of 1922.
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8. In section 41 of the principal Act,—

Amendment
of section
41.

7 of 1913.

1 of 1956.

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(a) in sub-section (1), for the words, brackets and figures "sub-section (1) of section 144 of the Indian Companies Act, 1913", the words and figures "section 226 of the Companies Act, 1956" shall be substituted;

(b) in sub-section (5), for the word "first", the word "annual" shall be substituted;

10 (c) in clause (d) of sub-section (7), for the words "profit and loss" occurring for the second time, the words "profit or loss" shall be substituted.

9. In section 42 of the principal Act, in sub-section (1), for the word "hereinafter", the words "in this Act" shall be substituted.

Amendment
of section
42.

10. In section 50 of the principal Act, for clause (o) of sub-section (2), the following clause shall be substituted, namely:—

Amendment
of section
50.

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"(o) the establishment and maintenance of superannuation pension, provident or other funds for the benefit of the employees of the State Bank or of the dependants of such employees or for the purposes of the State Bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;"

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